

TARIFFS AND THE GLOBAL SEED MOVEMENT

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About ASTA



Founded in 1883, the American Seed Trade Association (ASTA) is one of the oldest trade organizations in the United States.

ASTA's membership:

- Roughly 700 members involved in seed production and distribution, plant breeding, and related industries worldwide
- Representing everything “from alfalfa to zucchini”



ASTA Mission

ASTA's is the leading voice of action in all matters concerning the development, marketing and movement of seed, associated products and services throughout the world.

*ASTA promotes the development of **better seed** to produce **better crops** for a **better quality of life**.*



Tariffs – A History Lesson

- Tariff Act of 1789 – first major law passed in the U.S. under the newly written Constitution
 - Designed to encourage domestic production (new economy)
 - Imposed ~10% tariff on all foreign imports
- Tariffs were a major source of domestic revenue until 1913
 - Sixteenth Amendment ratified
 - Authorized a federal income tax
- Smoot-Hawley Tariff Act of 1930
 - Led to passage of...
- Reciprocal Trade Agreement Act of 1934
 - Which then led to...
- Trade Promotion Authority (first passed in 1974)



Current Dueling Tariffs

• Section 232

- Trade Expansion Act of 1962
- Gives the executive branch the ability to conduct investigations to “determine the effects on the national security of imports.”
- Overseen by Commerce Department

• Section 301

- Trade Act of 1974
- Main statutory authority under which the U.S. may impose trade sanctions on foreign countries that either violate trade agreements or **engage in other unfair trade practices.**
- Overseen by Office of the U.S. Trade Representative

Section 232

- Tariffs under Sec. 232 haven't been triggered since the 1960s – never in a post-WTO era
- Many international trading partners have introduced retaliatory tariffs
 - China, EU, India, Turkey, Canada, Mexico, Russia have all released retaliatory lists
 - Pork, whiskey, soybeans some of major agricultural products hit
- Impact on U.S. agriculture
- Seeds not directly affected by 232... yet

232: USMCA Ratification Issues

- Tariffs on steel/aluminum could delay USMCA ratification
- Seed industry depends on Canada and Mexico for global seed movement
 - SPS language in USMCA is strengthened from NAFTA
 - Requires Mexico to ascend to UPOV 91
 - Agriculture Chapter includes language on cooperation regarding trade of products of agricultural biotechnology. USMCA also establishes a Working Group for Cooperation on Agricultural Biotechnology.
 - This captures emerging plant breeding technologies like gene editing.
- If 232 tariffs remain in place, we have a long road ahead

Section 301: How Did We Get Here?

- **August 2017** – Trump administration announced it will pursue a case against China under Section 301
- **March 2018** – USTR releases report finding that “China's policies are "unreasonable or discriminatory, and burden or restrict U.S. commerce.”
- **April 2018** – List One tariffs announced – 1300 HTS codes subject to 25% tariff
 - Tariffs went into effect July 6, 2018
 - Import value of \$34 billion
- **June 2018** – List Two tariffs announced – 25% tariff
 - Import value of \$16 billion

Section 301: How Did We Get Here?

- **July 2018:** After the first and second round of 301 tariffs did not “bring China to the table,” USTR issued a third proposal to implement a 10% tariff on over \$200 billion worth of products imported from China.
 - 6,000 HTS codes
 - \$200 billion worth of imports
- List Three includes 23 HTS codes pertaining to planting seed.

What's Included?

- **0713.10.10** - Seeds of peas of a kind used for sowing
- **0713.20.10** - Seeds of chickpeas (garbanzos) of a kind used for sowing
- **0713.31.10** - Seeds of beans of a kind used for sowing
- **0713.32.10** - Seeds of small red (adzuki) beans of a kind used for sowing
- **0713.33.10** - Seeds of kidney beans, including white pea beans of a kind used for sowing
- **0713.39.11** - Seeds of beans nesoi, of a kind used for sowing
- **0713.40.10** - Lentil seeds of a kind used for sowing
- **0713.50.10** - Seeds of broad beans and horse beans of a kind used for sowing
- **0713.90.11** - Seeds of leguminous vegetables nesoi, of a kind used for sowing
- **1209.10.00** - Sugar beet seeds of a kind used for sowing
- **1209.21.00** - Alfalfa (lucerne) seed of a kind used for sowing
- **1209.25.00** - Rye grass seeds of a kind used for sowing
- **1209.29.10** - Beet seed, other than sugar beet seed, of a kind used for sowing
- **1209.29.91** - Seeds of forage plants of a kind used for sowing, not elsewhere specified or included
- **1209.30.00** - Seeds of herbaceous plants cultivated principally for their flowers
- **1209.91.10** - Cauliflower seeds of a kind used for sowing
- **1209.91.20** - Celery seeds of a kind used for sowing
- **1209.91.40** - Onion seeds of a kind used for sowing
- **1209.91.50** - Parsley seeds of a kind used for sowing
- **1209.91.60** - Pepper seeds of a kind used for sowing
- **1209.91.80** - Vegetable seeds, nesoi, of a kind used for sowing
- **1209.99.20** - Tree and shrub seeds of a kind used for sowing
- **1209.99.41** - Seeds, fruits and spores, of a kind used for sowing, nesoi

(Nesoi: “Not Elsewhere Specified Or Included/Indicated”)

What Does This Mean?

- The seed industry is global in nature
- Many vegetable and flower seed companies multiply seed in China
 - Scale of production
 - Flower seeds – only need a few thousand square feet for production
 - Labor
 - Intricate work – hand pollination & harvesting
- As a result of Section 301, ASTA member companies are forced to pay tariffs on their own product coming back to U.S. from China



Retaliation Concerns

- Do the Chinese retaliate and add planting seeds to retaliatory tariff lists?
 - China imported 55,148 tons of planting seeds valued at \$297 million in MY 2015/16
 - Majority was grass and forage seed – 77% of China’s total grass seed imports come from the U.S.
- Retaliatory tariffs would cause massive market losses for the U.S. grass seed industry, particularly in California, Florida, Oregon, and Texas
- Seed not currently on any of China’s Sec. 301 retaliation lists



Timeline

- **July 10** – USTR issued formal notice of tariff list
- **September 6** – Comments submitted to USTR
- **September 24** – 10% tariff on List Three went into effect
- **October 4** – ASTA/Hogan Lovells webinar on 301 tariffs and next steps
- **March 1, 2019** – 10% tariff scheduled to increase to 25%

Impact of Tariffs on U.S. Seed Industry

- Where do things stand in U.S. – Sino relations currently?
 - GM approvals in China
 - Who is hurting more?
- How do we work with what we have?
 - Does USTR open an exclusion process for List Three?
 - Seeds for re-export – workarounds (duty drawback, FTZs, in-bond)
- Congressional involvement
- WTO panel requests

On the other hand...

- At the same time, there are massive concerns with China's business practices, including their laws on foreign investments and theft of intellectual property.

Chinese “Seed Spy” Gets Three Years in Prison

Andrew Ai

A years-
Chinese

Chinese scientist gets 10 years in U.S. prison over theft of GMO rice

Why China is stealing America's corn seeds

by Charles Riley @CRrileyCNN



Can Congress Right the Ship?

- Several dueling pieces of legislation on Section 232
- U.S. Reciprocal Trade Agreement Act
 - Sponsored by Rep. Sean Duffy of Wisconsin
 - Would allow the Executive Branch the power to impose matching tariffs on trading partners – unlikely to move
- Bicameral Congressional Trade Authority Act
 - Introduced by Sen. Pat Toomey (R-PA) and Sen. Mark Warner (D-VA)
 - Would require Congressional approval of any tariffs designated under Section 232
 - Would require a veto-proof majority in Congress

Moving Forward

- Agricultural Trade Promotion program – ASTA grant
 - Two projects:
 - Alternative Seed Multiplication Locations (3 countries)
 - Promoting PBI policy in Europe
- Partnership with Chilean Seed Association (ANPROS) on strategies to improve opportunities for U.S. companies in Chile.
 - Survey open to all ASTA members across all crops



Lower Mekong Delta Initiative Seed Project

- Project between USDA Office of Capacity Building and Development and U.S. Department of State focusing on Cambodia, Laos, Thailand and Vietnam
- Goals:
 - Strengthen seed sectors, seed trade capacities, and rules- and science-based policy environments
 - Foster cooperation and the harmonization of seed policies among Like Minded Countries, consistent with practices and approaches in the United States
 - Identify and promote public-private partnerships related to enabling environments for seed use and trade
- ASTA has an advisory role on the project



How Can I Get Involved?

- Call your Members of Congress
- Storm the Hill!
 - April 3, 2019 in Washington, D.C.
 - Join other seed industry professionals to lobby on issues of importance to the seed sector
 - Trade and plant breeding innovation = Major 2019 issues
- ASTA Newsletters
 - PoliSeeds – quarterly domestic newsletter
 - Global Seed News – quarterly international newsletter
- Contact me at vhouston@betterseed.org



QUESTIONS & ANSWERS

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